THE MAGAZINE FOR GROWING COMPANIES

Inc.®

JAN. 1991

ENTREPRENEUR OF THE YEAR AWARDS

From thousands of nominees, Inc.'s national panel of judges picks the winners

S. ROBERT LEVINE, PRESIDENT AND CEO OF CABLETRON SYSTEMS INC.

PLUS:

THE ANATOMY OF A START-UP
Made in Montana

GETTING TO PRIME
Why some companies attain peak performance

GOOD FORM
Keeping tabs on your sales force

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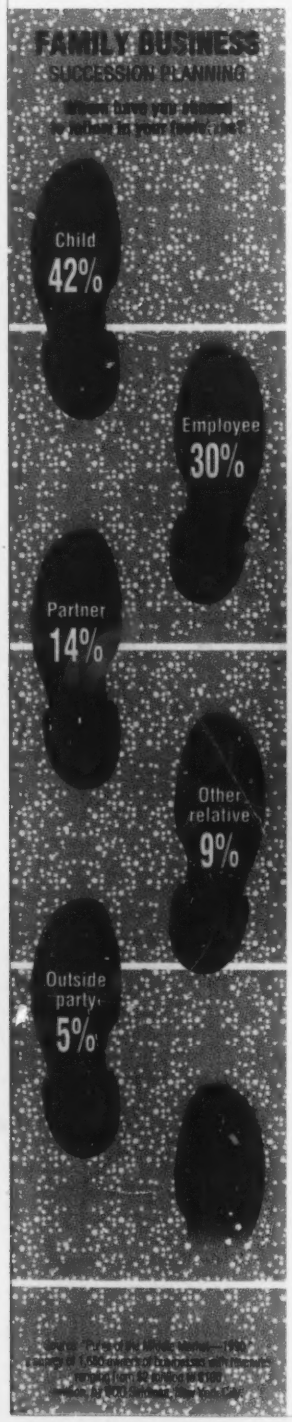
HANDS ON

A MANAGER'S NOTEBOOK



CUSTOMER SERVICE

Watching dough rise

Lots of managers chatter away about the importance of keeping customers satisfied. But Frank Meeks, CEO and owner of Domino's Pizza Team Washington Inc., which owns 42 stores in the Washington, D.C., area, thinks employees have difficulty committing themselves to abstractions. So he spells it out for them.

Employees are taught the dollar consequences of alienating customers. "Many customers," Meeks explains, "do business with the company twice a week, spending close to $1,000 annually, not including tips. Extending that over seven years, that's $7,000. And unhappy customers tell about a dozen other people, multiplying the potential damage even further."

All problems don't disappear by educating people about those numbers, says Meeks. But it does help them focus on the importance of happy customers. "We want them to adopt a philosophy about what they do. Having a number helps us do it." ❑

Employees learn to put a dollar figure on unhappy customers.

MANAGING PEOPLE

The buddy system

The biggest complaint about hourly employees—especially if they're teenagers or college students—is that they often don't show up for work. Well, Lisa G. Renshaw, who runs four parking lots in Baltimore, hires college students almost exclusively, and she never has that problem. Her secret: the buddy system.

"For every shift, I'll assign two people for each job," says Renshaw, president of 13-employee Penn Parking. "You'll have the 2:30 p.m. to 10:30 p.m. shift Monday through Wednesday, and I'll have it Thursday through Sunday, and you and I will be buddies. If I can't cover my shift, I can call you up and switch. And you can do the same for me."

Rarely can both people not make it, says Renshaw. "People are more than willing to cover for their buddies because they know that someday they'll want them to return the favor." ❑

TRAINING

Field gold

Putting new executives to work on the shop floor is a good way to bring field workers closer to the home office. But don't stop with your managers, says Jack Daugherty, CEO of Cash America Investments Inc., a $100-million chain of pawnshops based in Fort Worth.

At Cash America, employees—from secretaries to accountants to the president—spend time in a store getting familiar with systems for appraising goods, assessing borrowing needs, and writing loans.

That way, when pawnshop clerks or field managers call the home office, they don't get the runaround. After her stint behind the counter, Vicki Stanley, Daugherty's secretary, saw how merchandise was handled. Now if a clerk calls and has a question, she can help. ❑

MARKETING

Prospecting rivals

Competitors can be good for business, believes Richard Gsottschneider, CEO of RKG Associates Inc., a $1-million real estate consulting firm in Durham, N.H. He gets job referrals by sending his company newsletter to his rivals.

The semiannual four-page newsletter features items on RKG projects, regional news, and economic issues. It costs about $1 per newsletter to produce and mail to some 1,800 current and prospective clients and 200 competitors.

The first two mailings brought two jobs—and lots of leads from competitors, he says. "We refer work to them, and they do the same for us. There's more than enough work to go around." ❑

PHOTOGRAPH TIM REDEL. CHARTS ELIOT BERGMAN

RESOURCE

On-the-road education

Business-management books may be too remote from your own company's situation to be helpful. That's why Teresa McBride, while on the road for her $25-million computer-service business, McBride & Associates, in Albuquerque, reserves time to visit CEOs she hears about and admires. McBride comes away from those meetings with ideas for her own company.

From personnel-service firms McBride learned how to set up a detailed filing system and calculate billing time. She's also visited a CPA firm, law firms, an office-supply company, and even a fast-food restaurant.

"I'm rarely turned down," she says. "People are flattered to share what they've learned." ❑

FINANCE

Collections by coupon

Soil Shield International has cleaned up its collections by stuffing a discount coupon in with invoices. If customers pay the invoice within 15 days, they'll get 5% off the next purchase of the company's fabric protector. "If a furniture retailer normally buys $1,500 worth, he sees a coupon worth $75 and says, Wow," says Mike Connolly, president of the $13-million-a-year company based in Fremont, Calif. "Because it looks like cash, it's more attractive than an offer in a letter."

In the four months after the first coupons were offered, the program helped slash average outstanding accounts receivable from 50 to 40 days. What's more, the coupon has encouraged future sales. ❑

OPERATIONS

PARTICIPATORY PURCHASING

How end-users get involved in personal-computer-purchasing decisions	Company size: Fewer than 100 employees	Company size: 100-999 employees
Determing the need	75%	81%
Recommending vendors, brands, or models	27	17
Approving brands specified	11	3
Approving expenditures	11	8

Source: "The *InfoWorld* Landmark PC/MAC Acquisition Study," a survey of 3,098 companies, by IDG Research Services Group, Natick, Mass., 1990

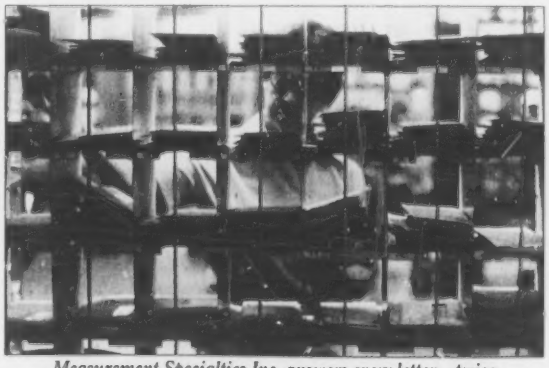
OPERATIONS

Mail bonding

Keeping up with the mail can be a colossal task. To make sure significant correspondence is answered swiftly but carefully, $6.8-million Measurement Specialties Inc. has a two-step system, says Donald Weiss, CEO of the Fairfield, N.J., manufacturer of measurement devices.

First, within 24 hours a short note goes out to the party saying the letter was received and to expect further correspondence by a specified date—usually within a week. Next, the person in charge of the project that the letter concerns drafts a follow-up letter and lets it sit for a day before sending it around the office for others to read. In the case of proposal writing, the CFO might review the document for overhead expenses, a secretary for grammar, and an engineer for technical specifications.

"Too many companies dash off a reply," says Weiss. "Our customers are prepped for a timely response. And we avoid shooting from the hip." ❑



Measurement Specialties Inc. answers every letter—twice.

CEO'S READING LIST

The Prophet

by Kahlil Gibran, Alfred A. Knopf, 1923

"Kahlil Gibran has important things to say about leadership and work. He writes, 'If [a teacher] is indeed wise, he does not bid you enter the house of his wisdom, but rather leads you to the threshold of your own mind.'

"This year I published a management philosophy that managers at Clearpoint must buy into. It says that holding people back is inexcusable, and it encourages managers to look for employees who suggest ideas and demonstrate an obvious passion for what they do. Statements like 'We already tried that' and 'Leave that to the professionals' are spirit-crushing comments that kill initiative.

"You need the balance between reason and passion that Gibran discusses to be an effective leader. When you start a company, there's clearly a balance between reason and passion. Everyone around you is telling you that it can only come to a bad end. But you're so convinced and driven that you decide to go for it anyway. In 1982, when I started Clearpoint, the memory-board business was unfashionable. Things like electronic games were hot. We were a long shot. Now we have projected revenues of $75 million for 1990 and five international subsidiaries."

—Vincent Bono, CEO, Clearpoint Research Corp. Hopkinton, Mass.

PHOTOGRAPH FPG

HANDS ON

MEETINGS

The week that was

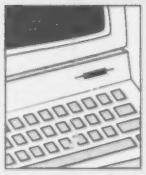
"In a small company everyone wears several hats," says William Barton, CEO of Overland Data Inc., a San Diego computer peripherals maker. "Since our early days we've held weekly ExCom [executive committee] meetings to go over the financial health of the company." Now the $7-million company has 53 employees, all welcome to attend the evening meetings. More than half do so regularly.

"When a company grows 40% annually, there are enough changes in a single week to make a significant impact on the company," says CFO Charlie Monts. Every meeting covers cash position, shipments, customer service reports, and production goals. "Employees know we aren't profitable every month," says Monts. "And they understand when we can't afford to buy supplies in volume or hire another person." ❑

CAPITAL
START-UP REQUIREMENTS
How much capital did you need to start your business?
More than $1 million 4%
$501,000 to $1 million 5%
$101,000 to $500,000 17%
$26,000 to $100,000 26%
$10,000 to $25,000 19%
Less than $10,000 29%

ON THE CHEAP

BUDGET DATABASES *By Cary Lu*



Do you need a complex database program for your desktop computer? Not if you need only an electronic version of your Rolodex. You may already have the tool you need: a word processor or spreadsheet program.

To use a word processor as a database, simply enter the data as text. To retrieve information, use the search or find command to locate anything you have typed. If you want the data displayed in a particular order, enter the information so that each record is a paragraph. The first word of the paragraph should be the keyword, such as a last name. The major word-processing programs can sort paragraphs alphabetically by the first word.

Although a word processor doesn't have the flexibility of a database program for reorganizing or producing varied reports, it does have some advantages. Unlike most database programs, word-processing programs let you enter as much text as you want in each record, and you can search for text anywhere.

It's easier to manipulate databases on spreadsheet programs than on word processors. All the major spreadsheet programs include a fairly comprehensive set of database functions. You can select by criteria (for example, find addresses with zip codes between 00000 and 19999) or sort on any part of the record (last name, city, and so on). But spreadsheets are less convenient than word processors are for long text notes, since a typical spreadsheet cell is limited to about 250 characters.

If you want to create your own screen format for entering and viewing data, you'll need a database program. For good features at a modest price, consider PC-File, which costs $149.95 for IBM PCs and compatibles (from ButtonWare, in Seattle, 206-454-0479). FileMaker Pro for the Mac is a good choice for $299 (from Claris, in Santa Clara, Calif., 408-727-8227). ❑

COMPENSATION

Part-time bonuses

Most companies wouldn't think of paying bonuses to part-time workers. But Bulk International, which relies on high school students and other part-timers to staff its 25 company-owned retail stores, includes everyone in its bonus program. "The level of customer service can have a huge impact on what people buy," says Tom Cavalli, vice-president and CFO. "So employees are given an incentive to go that extra mile."

The company, located in Troy, Mich., sets monthly sales goals for individual stores during holiday seasons. If the target is met or surpassed, part-time employees can earn anywhere from 50¢ to $1 an hour on top of the $4 to $5 an hour they're guaranteed. Bulk International began offering the bonuses a year ago in hopes of generating more sales volume.

It's succeeded, notes Cavalli. "And one of the great things about this is that it's self-funding." ❑

COMMUNITY RELATIONS

Hammer it out

It's easy to lose that loving feeling in a fast-growing company. Bryan Beaulieu, CEO of Skyline Displays Inc., a $45-million Burnsville, Minn., maker of portable trade-show exhibits, was looking for a way to unite his 250 employees and 350 independent distributors. "We had drifted apart," he admits.

So, for the annual sales meeting, instead of hitting the golf course, Beaulieu organized a project everyone would remember: building a playground. Area residents volunteered time and

CEO Bryan Beaulieu

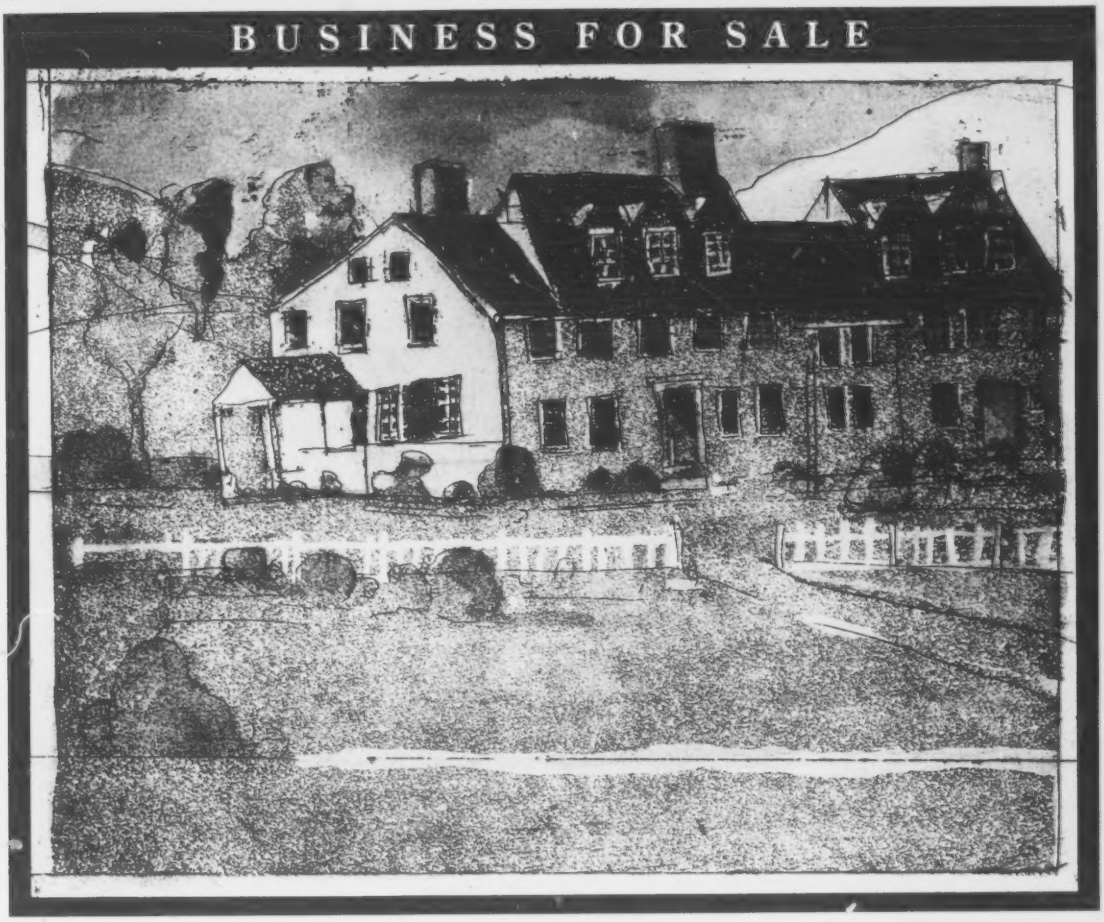
equipment; employees and the distributors donated engineering and carpentry skills. The cost? Four days of work and $60,000—the price tag of the usual trek to a golf resort. The event was filmed, and the tape is used for recruiting.

"Whenever we have a bad day," comments Beaulieu, "we go down to the park, watch the kids playing, and get revitalized." ❑

Reported by Teri Lammers, Sara Baer-Sinnott, Paul B. Brown, Susan Greco, and Bruce G. Posner.

ILLUSTRATION: BRUCE SANDERS; PHOTOGRAPH: JOHN DEMARCO

BUSINESS FOR SALE



VT. COUNTRY INN

THE BUSINESS Your basic mountain-cuddled, village-green-side, Vermont country inn—a living cliché. White clapboards, pumpkin-pine floors, a porch full of rocking chairs. Once a stagecoach stop, the inn now houses 34 guest rooms, a 60-seat restaurant, a separate lunch and breakfast room, and a tavern. Rates are $160 a night for two, MAP—midprice for the area.

FINANCIAL SUMMARY (in $ thousands)

	1988	1989	1990
Gross sales	$844	$1,024	$1,066
Net profit before taxes, depreciation, and owner compensation	131	272	295*

*projected

PRICE $2.15 million

OUTLOOK There's plenty to be happy about. The property is charming, the location popular, and the restaurant strong and profitable. The inn's cost of goods sold in the food-and-beverage category—often a sinkhole for cash—is running at an excellent 24%. Downsides? A room occupancy rate that's off-the-chart bad at 21% (closer to 40% would be normal for this area) and a regional economy that may or may not pillage such retreats as this.

PRICE RATIONALE Potential is what's being sold here, plus an existing trade that appears solidly—if not remarkably—in the black. Pump up the occupancy rate, which the owners claim to have ignored, and the bottom line sparkles; like incremental airplane-seat sales, incremental room sales are almost pure profit. The price-earnings multiple of 7.29 isn't out of line for an industry that can fetch multiples of 8 to 10.

PROS Most of the above, especially if you believe the occupancy glass is half full instead of half empty.

CONS Food and drink sales amount to a disproportionate 75% of total sales, compared with 40% at most inns. Given that the current owners are also the chefs—and are leaving—that imbalance could prove fateful. And do you really want to count on *increasing* occupancy while the economy around you slumps?

Inc. has no stake in the sale of the business featured and cannot confirm the accuracy of financial or other information offered by the seller. Inquiries should be directed to Country Business Inc., Manchester Center, Vt.

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